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Next 1 Page(s) In Document Denied

UNITED STATES CIVIL SERVICE COMMISSION  
BUREAU OF RETIREMENT AND INSURANCE  
WASHINGTON 25, D.C.

ADDRESS REPLY TO  
"U.S. CIVIL SERVICE COMMISSION"  
AND REFER TO

FILE RS:HEH:pal  
AND DATE OF THIS LETTER (42)

[redacted] President  
Government Employees Health Assn., Inc.  
P. O. Box 463  
Washington 4, D. C.

DEC 18 1962

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Dear [redacted]

As you will soon be preparing the Annual Accounting Statement on the operations of your plan under the Federal Employees Health Benefits Program, we believe a review of some of the requirements for the preparation of the statement may be appropriate. The statement shall cover operations for the period from November 1, 1961 through October 31, 1962. It should be received in the Commission no later than February 1, 1963; however, we would appreciate receiving it at the earliest date possible. We hope you will follow closely the Explanatory Notes Applicable to Interim and Annual Accounting Statements previously furnished you. The submission of all necessary supporting schedules and work papers will also facilitate our review.

The subscription charges transmitted to you during the period November 1961 through October 1962 must be reported on line 1A "Subscription Charges Received" as follows:

High Option	\$ 1,526,015.16
Low Option	<u>96,620.95</u>
Total	<u>\$ 1,622,636.11</u>

We have transmitted subscription charges through December 10, 1962 applicable to pay periods ending October 31, 1962 as follows:

High Option	\$ 124,592.39
Low Option	<u>6,416.70</u>
Total	<u>\$ 131,009.09</u>

The basic payroll subscription charges included in these figures are through September 29, 1962. In order to close the Federal Employees Health Benefit Fund accounts as of October 31, 1963, prior to the actual receipt of the subscription charges for pay periods ending November 10, 1962 which will close out the contract period, we have accrued an estimate of the following to be added to the \$131,009.09:

High Option	\$ 186,888.59
Low Option	<u>9,625.05</u>
Total	<u><u>\$ 196,513.64</u></u>

We would suggest that the accrued subscription charged to be reported on line 1B(2) of the statement be as follows:

High Option	\$ 311,480.98
Low Option	<u>16,041.75</u>
Total	<u><u>\$ 327,522.73</u></u>

The Health Benefits accrued shown on lines 2B(2)(a) and (b) must be supported by an attached schedule showing in detail the method by which the accrual is derived.

We again remind you that the administrative expenses reported in the annual statement against the contract must not exceed the amount of percentage limitations of total subscription charges provided in your contract for this item. In support of these amounts, we would appreciate schedules or reproduction of work papers which summarize the amount of expenses incurred by type of service, such as salaries, rent, travel, supplies, etc. Where an overhead item is added to the actual incurred cost for this contract, the support of the overhead on the schedule should include an analysis and justification. This schedule will be subject to audit and must be supported by books and records. Your attention is also drawn to your contract which provides that the administrative charges shall be only the actual, necessary incurred expenses determined on an equitable and reasonable basis, with proper justification and accounting support. Certain items of expense such as advertising and promotion for new business, entertainment, donations, and contributions are not allowable costs under this contract.

Section 5 of the statement must be prepared to show the cumulative results of operations in the total column only. The high and low option data are not applicable and should not be computed.

Investment Income to be reported on line 5B should be supported by an attached schedule. The attention of Mutual of Omaha Insurance Company should be invited to the fact that they have not complied with the provisions of paragraph 3, Item 6 of General Provisions, of the policy relative to advising the Commission, in advance, of the interest rate to be agreed upon. We would appreciate being notified of this rate, for the third contract period, as soon as possible.

Accounting Statements for the third contract year will be due as follows:

<u>"As of" Date of Report</u>	<u>Period to be Covered</u>	<u>Due in C. S. C.</u>
March 31, 1963	5 months	June 1, 1963
June 30, 1963	8 months	September 1, 1963
October 31, 1963	12 months	No later than-- February 1, 1964

For your information, the Contingency Reserve (including interest income) held in the Federal Employees Health Benefits Fund for your plan as of October 31, 1962 was \$111,981.50. It is suggested that any reports you prepare for internal informational purposes within your organization include this item as a footnote. It requires no accounting treatment.

In my letter of September 26, 1962 you were informed that we would furnish you data this month regarding the number of persons from whom no deductions were made for a June 1962 pay period. According to our tabulation made from the reports submitted to us in June 1962, the following number of enrollees were in a non-pay status for the last pay period paid in June 1962:

<u>Code</u>	<u>Number in Non-pay Status</u>
421	4
422	1
423	2

The above numbers are undoubtedly overstated in some instances because of the losing agency's practice of carrying employees in non-pay status pending the completion of the personnel actions to release the employee to a gaining agency where deductions are already being made.

We wish to express our appreciation for the cooperation accorded us by you and your staff throughout the past contract period.

Sincerely yours,

*Harold E. Hunsaker*

Harold E. Hunsaker  
Chief, Systems & Audits

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OFFICIAL BUSINESS

Bureau of Retirement and Insurance  
Contracts and Instructions Division  
U. S. Civil Service Commission  
Room 304 - Pension Building  
Washington 25, D. C.

Retain my name on your mailing list \_\_\_\_\_  
Remove my name from your mailing list \_\_\_\_\_  
I represent (news medium or organization):

Signature \_\_\_\_\_

BRI 41-87  
SEPTEMBER 1962